## Affordable Housing Development Program: Deal Specific Q&A

Q. Can a nonprofit developer request HOME funds in the form of a non-amortizing forgivable loan?

A. A non-profit can request HOME funds in the form of a non-amortizing forgivable loan. However, this financial structure would be similar to the terms of a Grant in which applicant is requesting 100% of TDC and/or applicant proposes a 100% forgivable loan. Please refer to the Financial Structure Criteria on the Scoring Evaluation sheet. Please also note that there are zero points given when evaluating a proposed project with such a financial structure.

Q. Will there be preference given to HOME funds assisting existing NSP projects?

A. If NSP projects are already underway, a proposal to commingle HOME funds with NSP funds will need to be further informed by the parameters of such Rules and Regulations. The second part of your question however, does speak to the leveraging of Community Impact in a designated geographic area in which Metro has concentrated its redevelopment/renewal efforts.

Q. Can HOME funds be used as a financing mechanism to refinance existing HOME debt?

A. Securing *new* HOME funds are not required to meet the objective of refinancing. Rather, a renegotiation of existing HOME terms might more accurately reflect your next option.

Additionally,

- New or additional federal funds will not be used to retire existing debt.
- However, any PJ that wishes to restructure its own existing debt (debt owed to Metro), without the addition of new or additional funding, has the discretion to do just that. We often refer to these as “Work Outs”.

Q. What documentation must be provided from the Developer to evidence a "VAP" property?

A. Please direct Vacant and Abandoned Property acquisition interests to Ms. Mary McGuire (574-2869), to determine the status as to if or when LMG has/will have title to the subject property. Any written acquisition request and corresponding documentation from Mary McGuire reserving said property needs to be a part of your NOFA application submission.

Q. Is there a minimum % of HOME funds invested in rehabilitated or newly constructed housing units that determines whether or not the property is subject to the six month- “must sale or convert” to permanent rental HOME Rule.

A. This reference on page 11 of 18 in the Affordable Housing Development Guidelines speaks to a homeownership product that could not sale within six months of construction completion. Ergo, the required home-ownership conversion to rental. There is not a threshold requirement spelled out in the new proposed HOME rule. That said, LMG submits that a $1.00 commitment of HOME funds, will trigger the 6 month Rule.

Q. As part of a comprehensive redevelopment, can HOME funds be used for demolition? If so, what restrictions are placed on the property thereafter?

A. Yes, HOME funds can be used for demolition expenses. However, CSR would need to understand the entire redevelopment plan and timetable before making a decision to fund demolition. LMG wants to ensure that there is a clear path toward meeting the National Objectives within a specified time-frame. The National Objective for all HOME funded projects is permanent housing for low income individuals and families.

Q. With these deadlines and award dates in mind, how would CSR like ~~Oracle~~ to address the delivery of the attachments evidencing secured funding sources, market analysis, readiness to proceed and/or approvals from Metro Planning & Design?

A. Thank you for memorializing your deal specific questions that were initially raised at CSR's General Informational Session. It has been duly noted that the timeline for applying to and securing other firm funding commitments, doesn't tie with CSR's submission deadline. You offer that if the timing was indeed in sync, that you would receive 15 of 15 points. However, it is what it is. In a cover letter to your application, please reiterate the additional funding sources that you have identified along with their timeline for application/approval. This information will be reviewed in light of the other scoring variables, with priority on Community Impact, Development Team Capacity, Project Characteristics and Financial Structure.

Q. Will there be points awarded under Project Characteristics for lease-purchase units? Lease-purchase appears to meet the goal, but the blend of rent/own doesn't have a point score. I'm guessing the category was unintentionally excluded. Can it be added?

A. Your question is a good one. The Lease-Purchase product is the newest of our Application Proformas. This model is a hybrid of Rental and Home-ownership, so technically as the current Scoring Criteria reads, your proposed project could receive points for a proposed Rental Development at the time of this application, given that "leasing" or "rental" initiates the deal structure. That said, this is our first roll-out of such a process and associated products. This process will be both iterative and adaptable.

Q. Typically we see CHDO set-aside dollars in an application. Am I correct to assume there are CHDO set-aside funds? You will understand my interest (and others) in knowing if there are set-asides and what the amount is.

A. The NOFA language reads on page 2 that LMG has CHDO set-aside and general HOME dollars available to commit for projects – with additional funding anticipated from U.S. Department of HUD. At the writing of this email, there is an estimated CHDO amount, which strategically is not publically disclosed. LMG wants to ensure that the primary purpose of each project is to make a community impact and is not developer-driven by a dollar amount appropriation. So, for now, the known is that LMG will make a minimum of $4,000,000 available, contingent upon subsequent appropriations.

Q. Is that an **arms length** issue that needs to be explained? Or do we only have to explain if we deal with another relative or close friend outside of our LLC?

A. The Application Proforma is interested only in a disclosure and explanation of a relationship between the buyer and seller. So for example, a non-Arm's Length transaction could be triggered, if your wife (or family members), are acting as the property sellers and you are acting as the property buyer, as part of this real estate transaction. This could be construed as a *dependent*, rather than an *independent* act. Your expressed interest in the purchase of Metro LBA property means the intended buyer and the intended seller ("Louisville Metro Government"), are acting independently and have no relationship to one another.

**Therefore, this is an Arm's Length Transaction and you are to mark this box N/A.**

Q. I'm interested in acquiring Land Bank Authority-owned property for my project. What is this process?

A. Please address to Paul Mastrolia in writing, the specific properties/sites that you would like the Land Bank Authority to hold for your proposed project.

Also, to reiterate, Community Services & Revitalization prioritizes projects which builds upon Metro efforts in Russell, Shawnee, Portland, Smoketown, Shelby Park or Parkland. We highly encourage a neighborhood site visit, to not only eyeball the individual property, but its relationship to its neighborhood environment, prior to your written request.

Q. Will using energy star appliances and or energy star windows be enough to gain points for the energy star category on the point sheet? Trying to see what or the requirements?

A. Please review the Affordable Housing Development: Homeownership & Rental Program & Application Guidelines, as attached. Go to page 12 of 18, Section F – Development & Property Standards…..Projects must comply with Energy Star Building practices. A link for additional information is also available.